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HOUSE OF COMMONS

First Session—Twenty-third Parliament

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1957

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UNIVERSITY OF TORONTO

STANDING COMMITTEE

ON

# RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: GORDON K. FRASER, ESQ.

## MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

including 4th, 5th, 6th and 7th Reports

BILL No. 196,

An Act respecting the Construction of a line of railway by  
Canadian National Railway Company from Optic Lake  
to Chisel Lake, etc.;

BILL No. 197,

An Act respecting The Hamilton Harbour Commissioners; and

BILL No. 72

(Letter I of the Senate), An Act to amend the Canadian Vessel  
Construction Assistance Act.

THURSDAY, DECEMBER 5, 1957

WITNESSES:

On Bill 196: Dr. D. O. M. Solandt, Vice-President Research and Develop-  
ment, Canadian National Railway Company.

On Bill 197: Mr. R. C. L. Harstone, Hamilton Harbours Board.

On Bill 72: Mr. L. Audette, Chairman, Canadian Maritime Commission.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1957.



STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Gordon K. Fraser, Esq.,

and Messrs.

Barbes	Holowach	McPhillips
Batten	Howe ( <i>Vice-Chairman</i> )	Muir ( <i>Cape Breton North</i>
Begin	Johnston ( <i>Bow River</i> )	<i>and Victoria</i> )
Bonnier	Kennedy	Murphy ( <i>Westmorland</i> )
Blanchette	Lafontaine	Nixon
Brassard	Lavigne	Olson
Broome	Leboe	Phillips
Bryce	Lewry	Rea
Byrne	Macdonald ( <i>Vancouver-</i>	Rouleau
Chevrier	<i>Kingsway</i> )	Small
Crouse	MacDonald ( <i>Antigonish-</i>	Smith ( <i>Calgary South</i> )
Dupuis	<i>Guysborough</i> )	Smith ( <i>Lincoln</i> )
English	Marler	Smith ( <i>Simcoe North</i> )
Fairfield	Martini	Smith ( <i>Battle River-</i>
Fisher	McBain	<i>Camrose</i> )
Gauthier ( <i>Lac St. Jean</i> )	McDonald ( <i>Hamilton</i>	Stanton
Gauthier ( <i>Chicoutimi</i> )	<i>South</i> )	Stuart ( <i>Charlotte</i> )
Grills	McGrath	Taylor
Haidasz	McIlraith	Villeneuve ( <i>Roberval</i> )
Harrison	McIvor	Vincent
Herridge	McLeod	Winch
		Wratten

A. Small,  
*Clerk of the Committee.*

## ORDERS OF REFERENCE

TUESDAY, December 3, 1957.

*Ordered*,—That the name of Mr. Bryce be substituted for that of Mr. Castleden on the said Committee.

TUESDAY, December 3, 1957.

*Ordered*,—That the said Committee be authorized to sit while the House is sitting.

TUESDAY, December 3, 1957.

*Ordered*,—That the following Bills be referred to the said Committee:

Bill No. 196, An Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from the International Nickel Company of Canada, Limited, of a line of railway from Sipiweesk to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba

Bill No. 197, An Act respecting The Hamilton Harbour Commissioners.

Bill No. 72 (Letter I of the Senate), intituled: "An Act to amend the Canadian Vessel Construction Assistance Act".

TUESDAY, December 3, 1957.

*Ordered*,—That the following Bills be referred to the said Committee:

Bill No. 102 (Letter X-1 of the Senate), intituled: "An Act respecting Alaska-Yukon Pipelines Ltd".

Bill No. 195 (Letter O-5 of the Senate), intituled: "An Act respecting St. Mary's River Bridge Company".

WEDNESDAY, December 4, 1957.

*Ordered*,—That the name of Mr. McDonald (*Hamilton South*) be substituted for that of Mr. Doucett on the said Committee.

Attest.

LEON J. RAYMOND,  
*Clerk of the House.*





## REPORTS TO THE HOUSE

TUESDAY, December 3, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### FOURTH REPORT

Your Committee has considered the following Bill and has agreed to report it without amendment:

Bill No. 30 (Letter D of the Senate), intituled: "An Act respecting Ottawa and New York Railway Company". \*

Respectfully submitted,  
GORDON K. FRASER,  
*Chairman.*

TUESDAY, December 3, 1957

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### FIFTH REPORT

Your Committee recommends that it be authorized to sit while the House is sitting.

Respectfully submitted,  
GORDON K. FRASER,  
*Chairman.*

FRIDAY, December 6, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### SIXTH REPORT

Your Committee has considered the following Bills and has agreed to report them without amendment:

1. Bill No. 196, An Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiweesk to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba.

2. Bill No. 197, An Act respecting The Hamilton Harbour Commissioners.

3. Bill No. 72 (Letter I of the Senate), intituled: "An Act to amend the Canadian Vessel Construction Assistance Act".

A copy of the Committee's Minutes of Proceedings and Evidence in respect of the said Bills is appended hereto.

Respectfully submitted,  
GORDON K. FRASER,  
*Chairman.*

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\* The evidence heard on this private bill was not authorized to be recorded or printed by the Committee.



FRIDAY, December 6, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

#### SEVENTH REPORT

Your Committee has considered the following Bill and has agreed to report it without amendment:

Bill No. 195 (Letter O-5 of the Senate), intituled: "An Act respecting St. Mary's River Bridge Company".\*

Respectfully submitted,

GORDON K. FRASER,  
*Chairman.*

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\*The evidence heard on this private bill was not authorized to be recorded or printed by the Committee.



## MINUTES OF PROCEEDINGS

TUESDAY, December 3, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.30 a.m. The Chairman, Mr. Gordon K. Fraser, presided.

*Members present:* Messrs. Blanchette, Bryce, Fairfield, Fisher, Fraser, Herridge, Lavigne, Lewry, MacDonald (*Antigonish-Guysborough*), Marler, Martini, McIlraith, McIvor, McLeod, McPhillips, Murphy (*Westmorland*), Nixon, Olson, Phillips, Smith (*Calgary South*), Smith (*Simcoe North*), Winch, and Wratten.—23.

*In attendance:* Mr. George J. McIlraith, Q.C., M.P., Sponsor of the Bill; and Mr. Cuthbert Scott, Q.C., Parliamentary Agent.

The Committee commenced consideration of Bill No. 30 (Letter D of the Senate), "An Act respecting Ottawa and New York Railway Company".\*

*On the Preamble:*

The Chairman called on the sponsor to introduce the Parliamentary Agent for hearing and questioning.

The Preamble, Clauses 1 and 2, the Title, and the Bill were adopted.

*Ordered,*—That the Chairman report the said Bill to the House without amendment.

On motion of Mr. Martini, seconded by Mr. Smith (*Simcoe North*),

*Resolved,*—That a recommendation be made to the House to obtain authority for the Committee to sit while the House is sitting.

At 10.45 a.m., the Committee adjourned to meet again on Thursday, December 5, 1957.

A. Small,  
Clerk of the Committee.

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\*The evidence heard on this private bill was not authorized to be recorded or printed by the Committee.





## MINUTES OF PROCEEDINGS

THURSDAY, December 5, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines met at 3.00 p.m. The Chairman, Mr. Gordon K. Fraser, presided.

*Members present:* Messrs. Barbes, Broome, Bryce, Chevrier, Crouse, Fisher, Fraser, Gauthier (*Lac St. Jean*), Harrison, Howe, Kennedy, Lavigne, Leboe, Lewry, Macdonald (*Antigonish-Guysborough*), Marler, Martini, McBain, McDonald (*Hamilton South*), McGrath, McIlraith, McIvor, McPhillips, Nixon, Olson, Phillips, Smith (*Simcoe North*), Stanton, Stuart (*Charlotte*), Wratten.—30.

*In attendance:*

*On Bill 196:* Messrs. D. O. M. Solandt, Vice-President, Research and Development; K. M. Ralston, Commissioner of Development; and Pierre Taschereau, Solicitor; all of the Canadian National Railway Company.

*On Bill 197:* The Honourable George Hees, Minister of Transport, and the following members of the Hamilton Harbours Board: Messrs. R. C. L. Harstone, P. T. McCulloch, and Cliff Morgan, Port Manager.

*On Bill 72:* The Honourable George Hees, Minister of Transport, and the following members of the Canadian Maritime Commission; Messrs. L. Audette, Chairman, and L. J. Leavey, Legal Branch.

*On Bill 195:* Mr. G. E. Nixon, M.P., Sponsor of the Bill.

On motion of Mr. Smith (*Simcoe North*), seconded by Mr. McDonald (*Hamilton South*),

*Resolved,*—That the Committee print 700 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence in respect of the following Bills:

- (1) Bill No. 196, An Act respecting the Construction of a line of Railway by Canadian National Railway Company, etc.;
- (2) Bill No. 197, An Act respecting The Hamilton Harbour Commissioners; and
- (3) Bill No. 72 (Letter I of the Senate), An Act to amend the Canadian Vessel Construction Assistance Act.

The Committee commenced consideration of Bill No. 196, An Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiwesk to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba.

*On Clause 1:*

Dr. Solandt was called, heard and questioned.

Clauses 1 to 11 inclusive and the Schedule were considered and adopted. The Title and the Bill were adopted.

*Ordered,*—That the Chairman report the said Bill to the House without amendment.

The Committee commenced consideration of Bill No. 197, An Act respecting The Hamilton Harbour Commissioners.

*On Clause 1:*

Mr. R. C. L. Harstone of the Hamilton Harbours Board was called, heard and questioned.

Clauses 1 to 4 inclusive were considered and adopted.

*On Clause 5:*

Mr. Marler moved, seconded by Mr. Chevrier, that the said Clause be amended by deleting the word *any* in the first line thereof and substituting therefore the word "the".

After discussion, upon the undertaking of the Minister of Transport to consider the proposed amendment and to report thereon when the Bill is next considered in the House, the said motion was, by leave of the Committee, withdrawn.

Clause 5 was adopted.

The Title and the Bill were adopted.

*Ordered*,—That the Chairman report the said Bill to the House without amendment.

The Committee commenced consideration of Bill No. 72 (Letter I of the Senate), An Act to amend the Canadian Vessel Construction Assistance Act.

*On Clause 1:*

Mr. L. Audette, Chairman, Canadian Maritime Commission, was called, heard and questioned.

Clauses 1 to 3 inclusive were considered and adopted.

The Title and the Bill were adopted.

*Ordered*,—That the Chairman report the said Bill to the House without amendment.

On the request of Mr. Nixon, leave of the Committee was obtained to consider this day Bill No. 195 (Letter O-5 of the Senate), An Act respecting St. Mary's River Bridge Company.\*

*On the Preamble:*

Mr. Nixon gave an explanation of the purpose of the Bill.

The Preamble and Clause 1 were considered and adopted.

The Title and the Bill were adopted.

*Ordered*,—That the Chairman report the said Bill to the House without amendment.

At 4.30 p.m., the Committee adjourned to meet again on Tuesday, December 10, 1957.

A. Small,  
*Clerk of the Committee.*

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\*The evidence heard on this private bill was not authorized to be recorded or printed by the Committee.



## EVIDENCE ON BILL 196

THURSDAY, December 5, 1957.  
3:00 p.m.

The CHAIRMAN: Gentlemen, we have a quorum. The first bill will be an act respecting the construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the purchase by Canadian National Railway Company from the International Nickel Company of Canada, Limited, of a line of railway from Sipiwesk to a point on Burntwood river near Mystery lake, all in the Province of Manitoba.

I believe that you are all in possession of the bill, but before we go into that, I should like to have a motion authorizing us to print 700 copies of the minutes of the meeting in English and 200 copies in French.

Moved by Mr. Smith (*Simcoe North*), seconded by Mr. McDonald (*Hamilton*) that the committee print 700 copies in English and 200 copies in French of its minutes of proceedings and evidence in respect of bills 196, 197, and 72.

The CHAIRMAN: What is your pleasure gentlemen?

Motion agreed to.

The CHAIRMAN: I have just had a note from Mr. Hees, the Minister of Transport, and he is tied up in a cabinet meeting at present and cannot be here, so I am going to ask—

Mr. CHEVRIER: Perhaps I could act in his place!

The CHAIRMAN: I am going to ask the officers of the C.N.R. if they will come up here on the platform. Dr. Solandt is the vice-president of Research and Development, Mr. Ralston, the commissioner of development and Mr. Taschereau, the solicitor. Dr. Solandt, you are the one who is going to give the evidence?

Dr. SOLANDT: Yes, Mr. Chairman.

The CHAIRMAN: Dr. Solandt is up here on the platform and he will give the evidence. If you wish to ask anything further from the others, we can have them come up as well. Now on clause 1 of the bill, are there any questions?

Mr. CHEVRIER: Would it not be a good idea if we had Dr. Solandt outline the position of the line and then perhaps it would be easier to take the bill clause by clause.

The CHAIRMAN: Dr. Solandt, would you outline what is required? Will you do that and point it out on the map, or have you a brief?

Dr. SOLANDT: No, I just wondered how complete a story you want. You have had it in the house.

The CHAIRMAN: We have had it in the house, but if you could show them on the map I think it would be much better.

**Dr. D. O. M. Solandt, Vice-President, Research and Development, Canadian National Railway Company, called:**

The CHAIRMAN: Can you all see the map, gentlemen?

The WITNESS: This is a map of northern Manitoba, with the main line from Winnipeg coming up here; the Pass here, the Hudson Bay Railway to Churchill

going off in this direction; this is the branch line which goes to Flin Flon and which formerly just went to Sherridon, and then it was extended in 1953 up to Lynn lake.

The Hudson Bay Mining and Smelting Company have been operating at Flin Flon for about 30 years, and during that period they have been exploring the area very intensively. In recent years they have located a series of base metal deposits, principally zinc, with a good deal of copper, in these areas marked here. A couple of years ago, we discussed the possibility of a branch line to serve this area and we investigated two possibilities; one of a line running straight south from Chisel lake to join the Hudson Bay Railway; the other one, the line that is shown in red and the one it is proposed to construct now which goes from Chisel lake to Optic lake on the existing Sherridon branch.

This route was chosen because, at the present time, the Hudson Bay Mining and Smelting Company intend to move the ore from Chisel lake to Flin Flon and to put it through their mill and smelter at Flin Flon. The movement will be heavy and there will be very substantial economies in the shorter mileage, about 100 miles this way rather than by the alternative route.

*By Mr. Chevrier:*

Q. What relationship is there between this line from Optic lake to Chisel lake and the line which the Canadian National Railways built some time ago from Lynn lake to Sherridon? Is there any relationship between the traffic and volume of traffic?—A. As far as volume of traffic is concerned this one will have much heavier traffic.

*By Mr. McIlraith:*

Q. Which one? For the record, name and describe the line rather than say "this one".—A. The line from Chisel lake to Optic lake will have a heavier tonnage than the line from Lynn lake because the shipment here will be of crude ore. As you were told, the minimum guarantee is 350,000 tons a year. The traffic from Lynn lake is a concentrate and consequently the tonnage is smaller.

*By Mr. Chevrier:*

Q. Is the guarantee being filled in the other line, the Lynn lake to Sherridon line?—A. Yes, it has been.

Q. Could the witness give any reason why most of these lines always go towards the north rather than towards the east and west. For instance I am thinking of the Kitimat to Terrace line, Lynn lake to Sherridon, the Chibougamau railway and one in Ontario to the south, all go up to the north rather than across east and west?—A. Well I do not know of any fundamental reason why they should except in general the northern areas are less developed than the southern ones.

Q. Perhaps there is more mineral wealth?—A. From Optic lake to Chisel lake is not far from running east, but it does go somewhat northerly. I think the explanation is that the northern areas of the country in general were not fully explored and they are the areas in which there are still major mineral deposits to be found, although the discoveries in New Brunswick give the lie to that suggestion.

Q. Will the other line that is being purchased add to the profitable aspect of the Hudson Bay Railway?—A. Yes it should substantially increase the total traffic on the Hudson Bay Railway because, as you know, apart from the grain movement in the summer, the traffic on the Hudson Bay Railway is quite light.



*By Mr. Bryce:*

Q. I should like to ask you if there has been any consideration given to taking the line straight up through? You have a good line up to Gypsumville. There is a lot of traffic on it. Then you would go up through Grand Rapids which is to be developed in the near future where there is an 81 foot drop on the river and right up through and then you would serve the whole of the country instead of just buying a little bit of a line here that is only going to serve the one company. I have been drawing that to the attention of the Transport Department for 14 years now and here we are making little lines again.—A. We did, in fact, look at it quite carefully at the time. The possibilities of developing in this area were first discussed and it did not seem to be an economically reasonable proposal because the mileage of line that would be needed would be very much greater than this small addition here and the country through which we would have to build from Gypsumville north past Grand Rapids on the Saskatchewan is very difficult swampy country and has very limited local natural resources. There is no doubt there is an attraction in the basic idea. We did certainly look at it but we could not see that it was justified on the basis of this development. This seemed to be a much cheaper and productive way of meeting this immediate problem.

Q. We could save money in the movement of the grain and freight on the way to Hudson Bay Junction. If we ever got back into the cattle trade, as we were before, we would only need to unload the cattle once, going straight through, and going the other way we have to unload them three times.

*By Mr. Chevrier:*

Q. Is not the determining factor the profit or loss aspect of the branch line that determines the C.N.R. in submitting the building of it?—A. Yes, and we could not see any economical justification in building from Gypsumville up to Mystery lake for the needs of the International Nickel Company.

Q. And here you have a guarantee, have you, in the case of—A. Oh yes, we have a guarantee in both these cases which reduces the risk from our point of view to a reasonable commercial risk.

Q. How much is the guarantee in tons?—A. The guarantees are quite different. This is an interesting example.

The CHAIRMAN: I wonder if it would be wise to take clauses 1, 2, and 3 first and then we will take the other clauses relative to the purchase.

Mr. CHEVRIER: I have no objection but I was wondering if we could not get a general description of the whole picture. I think we would get along faster in that way.

*By Mr. Chevrier:*

Q. Could we get an idea of the guarantee?—A. I think that these two lines that we are discussing today are interesting because they are examples of two different kinds of guarantees and I think it is very simple in this case why the guarantees are different. The line from Chisel lake to Optic lake is being constructed almost entirely for hauling ore from the mine to the smelter. There would be very little revenue from the inbound products so the sensible thing to do is to put the guarantee in terms of tons of ore shipped; and the guarantee that you have here is that they will ship a minimum of 350,000 tons of ore or, alternatively, should they put in a mill at Chisel lake, they will ship 70,000 tons of concentrate at a higher freight rate each year for 10 years, and this guarantee is designed to share the risk between the mining

company and the railway. If they fail to meet their guarantee we would undoubtedly lose a little money, but not much. But if they make their guarantee we hope to make money. It is only reasonable that we should share the risk with them.

In the case of the line from Thompson to Sipiwesk the outbound tonnage will be quite small because the International Nickel Company are putting in a mill, a smelter and a refinery so they will be shipping a refined product. Inbound tonnage will be much greater because there will be all the materials for the smelter and refinery, including coal and other things. It seems more reasonable in that case to put the guarantee in terms of gross revenue arising from the construction of the line, and the guarantee in that case is that the gross revenue will equal one tenth of the purchase price of the line each year for 10 years.

The CHAIRMAN: Are there any other questions?

*By Mr. Fisher:*

Q. Is there any possibility of any pulp traffic on these routes?—A. Yes, I think there is a possibility of pulp traffic. It may not arise on either of these branch lines. It is unlikely it will arise on a branch line but there is quite a likelihood of pulpwood traffic from the Hudson Bay Railway in this area.

Q. Who controls the limits up there now; are they held by anyone?—A. I am not quite sure.

Mr. RALSTON: There have been several people after the limits. I do not know, at the moment, who has them. The Manitoba government has been negotiating with several people in the last few years.

*By Mr. Marler:*

Q. I should like to ask one question in connection with the branch line between Optic lake and Chisel lake. The average cost per mile is given in the schedule at \$170,000 which I think was the cost that was mentioned by the railway company earlier when I had occasion to make representations to cabinet in connection with the project. Is that more or less a typical cost average with that kind of country?—A. I think it is safe to say, sir, that the cost of this line is estimated to be a little higher than average for several reasons. It tends to run across the grain of the country. You can see the drainage is down in this way. There is quite a lot of rock work and there is quite a lot of muskeg, and the other factor that will add more to the cost is that there is no suitable material for ballast except in the center of the line.

There is a large ridge of sand and gravel almost in the middle of the line, and it is the only place you are able to obtain suitable material for building the line, and it will be necessary to grade the line roughly from both ends. You can work from both ends because you can get your machinery in by road and roughly grade it, lay the track and, after the track is laid, haul the gravel and fill from this central point in both directions. The track is then lifted, and these various factors make the cost a little above average.

*By Mr. Chevrier:*

Q. How do they compare with the other line?—A. They are just a little bit high.

The CHAIRMAN: That is on account of red granite.

The WITNESS: I think it is granite in both areas.

*By Mr. Howe:*

Q. The witness indicated, or it is stated in the bill, that the estimated cost is \$170,000. I notice that the purchase price which International Nickel Company is being paid for the other line is \$180,000. Why would there be that



difference between the figure they are paying for the other line and the estimated cost for the new line?—A. I think the misunderstanding there is that the original estimated cost of branch line No. 2, the one from Sipiwesk to Thompson, was in round figures \$4½ million, and then to that was added a contingency of 15 per cent, which is the normal practice in railway construction, and has been the practice in past bills. The price that will be paid for the railway is not necessarily \$5,400,000. We hope it will be much nearer. Actually, the exact estimate was \$4,685,000. That was the exact estimate.

*By Mr. McIvor:*

Q. Is mining the chief source of business or is there going to be any farming in there?—A. I think there will be little or no farming. Apart from mining, there may be a very small amount of fishing, and there may be in this general area substantial pulpwood but I think not much on either of the lines. These are essentially pure mining branch lines.

*By Mr. MacDonald (Antigonish-Guysborough):*

Q. Are there any people residing along the proposed line from Optic lake to Chisel lake, or is it a barren waste?—A. There is virtually no population in the area in between but there is quite a sizeable town at Snow lake.

Q. Is that the name of the town?—A. Snow Lake. Yes, I think the town is called Snow Lake. The mine is Britannia mine and it is sometimes called Howe Sound. But I believe Snow Lake is the name of the town, and as was pointed out in the house, one of the fortunate coincidences of the discovery of the base metal here is that the gold mine that was operating at Snow Lake has just closed and so the construction of this line, if we decide to proceed with it, would be a distinct advantage to the people in this town.

*By Mr. Olson:*

Q. I should like to ask at what stage of construction is the line from Thompson? Are there any miles completed?—A. The line from Sipiwesk to Thompson was officially opened on October 20 and is in service now. It is not completed from the railroad point of view. It still has to have a good deal of ballast added to it next spring but it is in operation.

Q. Are you in a position now to say what the actual construction costs were?—A. No, we are not yet in a position to say but from the railway point of view, it is not completed. It still has to have its final ballast put on and the track lifted and the final grading done. But so far the costs have not been unreasonable. I think you have the full information from the returns regarding the cost.

We felt it was only reasonable for the C.N.R. to pay a price for this line that would be equivalent to the price it would cost us to build it at the normal rate we build a line. The International Nickel Company, for purposes of developing the mine, wanted to build the line much more quickly and they agreed that our engineers and their engineers would watch the construction of the line carefully and try to agree what element of the expense was being added at each stage.

*By Mr. Chevrier:*

Q. Is there an agreement in writing to that effect?—A. Yes there is and these interchanges between the engineers have been going on continually but we have not attempted to add them up, but in general the costs are turning out quite satisfactorily and the Canadian National Railway will not pay the International Nickel Company what it cost them to build the line but will pay them substantially less than that.

The CHAIRMAN: Are there any more questions?

Mr. FISHER: Is there absolutely no chance of competition in this particular situation, such as we have at Manitouwadge?

Mr. CHEVRIER: There is no other railway but your own in that area.

*By Mr. Fisher:*

Q. We have a situation in northern Ontario with deep rock iron mines where they were dissatisfied with the service provided by the C.N.R. Are there any regulations in the agreement that would cover an eventuality such as that?—A. Well, I think geography is very strongly on our side in this case, but we have no agreement concerning International Nickel, no more than any other. We did our best to keep them satisfied and I think, particularly in the case of a large operation like this, there is no great difficulty. Presumably, they are satisfied.

*By Mr. Lewry:*

Q. Did the witness say that the No. 2 line was completed on October 20 this year?—A. Yes.

Q. And how many stops would there be on either line?—A. No, we do not anticipate any stops on either line and naturally the passenger business on them will be essential because there are no roads—at least, there is no road to Thompson. There is a road from the railway up to Chisel lake, but there will be no stops on either of these lines. There is no habitation, there is no one along this way except the sectionmen.

Q. Stationed at the end of each line?—A. Yes. Of course, I should not eliminate the possibility of the development of other mines along the route, particularly in the case of the line from Optic lake to Chisel lake. There have been many claims staked in that area and at least one property has been explored to some degree and has shown evidence of enough copper that it might be worth opening a mine if there is a railway there; although it would not have been worth considering without the railway. So, there is a possibility of further mineral development along this line and I should also emphasize that in addition to the mine at Chisel lake the Hudson Bay Mining and Smelting Company Limited have several other properties in this area which they fully expect to develop as time goes on.

Q. Is this to be a full service, express and mail on both these lines?—A. On both the lines, the service initially will be almost entirely freight and will be adjusted to the tonnage that is offered.

Q. Did you state a few moments ago that the passenger potential is important? Is that for the present or for the future?—A. I am sorry, I think I was misleading there. I meant to say that the passenger service would be important for the localities but passenger potential is most unimportant from the railway point of view. We will probably lose money on it but it is a case where obviously we have to give passenger service because there is no other way of getting in.

Mr. MARLER: Mr. Chairman, during the discussion of the bill in the committee stage, I drew to the attention of the minister that the amount specified in the bill for the purchase of the line between Sipiwesk and Mystery lake was stated in the bill at a substantially higher amount than the estimate of the cost as represented to me at the time I was Minister of Transport. I have since had conversations with the present minister on the subject and I would like to perhaps have the witness clear up the discrepancy which existed in my mind between the amount of the estimated cost of the line I have just referred to, when the matter was dealt with by the former government, and the amount that is provided for in the bill. Dr. Solandt a moment

ago said the original estimate had been \$4½ million but after that a revised estimate he said was for an amount of \$4,685,000 and of course, the bill provides for a total amount of \$5,400,000.

Now at the time the matter was considered by the cabinet. The outside limit was considered to be \$4,500,000. Now, I think there has been a misunderstanding between the management of the railway and the department concerning the cost of this particular branch line, while we looked on the original estimate of \$4½ million as the maximum cost, the railway has been looking at it as the usual basis for a branch line plus an allowance of 15 per cent. The situation has been further complicated by the fact that the railway's own estimate of the cost has increased by approximately \$185,000 since the proposal was approved by the cabinet. I wonder if Dr. Solandt would explain to the committee, just exactly what the facts are with regard to these costs and why the authorization to buy has been fixed at \$5,400,000 when it was originally estimated that the maximum would be \$4½ million.

The CHAIRMAN: Could you answer that, Dr. Solandt?

The WITNESS: Yes, sir. As far as I know, this has been entirely due to a misunderstanding. I think the railway from the beginning, has put the cost at \$4,685,000 and this was in some correspondence rounded off to \$4½ million as a round figure..

It is the custom in dealing with branch lines to deal with the estimated cost and then to include in the bill, which authorizes their construction, authority to exceed the estimated cost by 15 per cent, subject of course coming back to parliament for the additional fund should the original estimated be exceeded. But as the authority has been used in the past, it meant that the railway could go ahead and build the branch line. If it exceeded the original amount estimated it would then come back to parliament for subsequent authority to spend the extra money within the 15 per cent allowance. In this case, it was realized that the situation was somewhat different because the railway would be faced with the problem of paying the International Nickel Company whatever the agreed price was under the formula I have outlined to you and that if this amount happened to be more than the \$4,685,000 even by a small amount, then the railway would not be able to pay and would have to come back to parliament again. So instead of putting in, as we would have, if we were building the branch line, the figure of \$4,685,000 or \$4½ million plus 15 per cent contingency, we put in that figure with the contingency added at \$5,400,000. As I said before, we do not expect that the railway will cost that much but do ask for that, since that is the normal estimated cost of the railway plus the 15 per cent contingency.

*By Mr. Marler:*

Q. I thought it was important that the witness should clear up the doubts on that point because I do not want to leave the impression in the minds of the house, or this committee, that there had been some strange transformation in price between the time I was Minister of Transport and the present, because there was certainly no such suggestion on my part. But I think it is quite clear there has been a very definite misunderstanding. I did not take away with me all of my correspondence of the Canadian National Railways, consequently, I am not in a position to deal with the matters that were subsequent to the time it was submitted to the cabinet but Dr. Solandt will recall perhaps, if he will look in his records, that the amount submitted to the cabinet was for \$4½ million and not the large sum we are dealing with today. I think Dr. Solandt's explanation disposes of the question satisfactorily so far as I am concerned.—A. The concise answer is that there has been no



change in our estimates of the cost of the railway, in spite of the misunderstanding. Our estimate is still the same as it was initially although I agree there has been a misunderstanding.

Q. And, of course I think that the final price to be paid to the Nickel company will depend on the total costs which will be determined when all the work is finished.—A. That is correct, sir, and we have in fact supervised the construction of this line almost as closely from the engineering point of view as if we had been doing it ourselves. So that we will, I think, feel perfectly confident that we know exactly what the costs have been and what they should have been and we can be assured we get just as good value for our money as if we built the line ourselves which, of course, is the object.

Q. One more question, Mr. Chairman, during the course of discussion the other night, the minister gave me the impression that there was an addition to the line at the Thompson end of it, which was not being acquired by Canadian National Railways but which would be used by the International Nickel Company itself. Is it a fact that there will be part of the line to be under the control of the International Nickel Company and not under the control of Canadian National Railways?—A. The International Nickel Company plan to build over the years, quite extensive railway lines of their own connecting Thompson, where their main mill smelter and refinery will be, with other mines. But they will be in the nature of internal conveyor systems to bring ore from outlying mines into the refinery.

There will be little or no transshipment between their lines and our lines. The terminus of the railway proper will be at Thompson where there will be a station and freight yards and an interchange point. The situation at Flin Flon at present is almost exactly the same. The Hudson Bay Mining and Smelting Company operate something over 20 miles of railroad of their own which just connects outlying mines with the mill.

*By Mr. Stanton:*

Q. Is there any possibility within the foreseeable future for an extension of those lines to the unexplored parts in and around the immediate district?—A. We do not see any immediate need but you certainly cannot rule it out. Both of these areas are highly mineralized. They are very promising areas for exploration. In the case of Chisel lake line, of course, the possibility for extension to some of these other ore bodies is quite a real one. In the case of the Thompson line, there is the possibility of extension to other ore bodies around about but naturally as long as the ore bodies along Thompson belong to the International Nickel Company and the ore is coming to their central mill, they will probably prefer to build their own lines because they will be highly specialized lines, especially for ore.

Mr. CHEVRIER: I am satisfied with the economics of both these lines and I have no further questions.

*By Mr. Howe:*

Q. I was just wondering whether there is no fixed agreement as to price in regard to certain parts of this branch line that is being bought from the International Nickel Company. Why should there not be some fixed agreement between the railway and the mining company as to prices before this proposal is put through?—A. We felt that we could get the line more cheaply by the type of agreement that we entered into because if you ask a person to build a railway line for a fixed price, they will usually fix the price fairly high because there are a great many unknown factors in building railway lines through terrain of this sort. You cannot be sure of how much difficulty

you will have with muskeg and bridge footings and so on, because in the past we have found that it is cheaper to build a line under close engineering supervision and pay for what we get in construction value.

Q. This line has been already built?—A. Yes, but in essence, the C.N.R. has built it. We have supervised the construction of this line just about as closely as if we had built it ourselves. The International Nickel Company have paid for it, they have negotiated with the contractors but our own C.N.R. engineers have been resident on the job throughout and we know just as much about the costs of this line as if we had built it ourselves.

The CHAIRMAN: Any other questions, gentlemen?

Clauses 1 to 11 inclusive, agreed to.

Schedule agreed to.

Title agreed to.

The CHAIRMAN: Shall I report the bill?

Mr. CHEVRIER: Before you do, I would just like to say one word in connection with the witness. I understand it is his first appearance before the committee since his appointment as vice-president of research and development for the Canadian National Railway which is one of the most important positions which the Canadian National Railway has to offer. His predecessor, Mr. Fairweather, gave evidence over a period of many, many years during the 9 years I was minister. I am very happy to see that Dr. Solandt is following his footsteps, and I am sure that the committee would want me to extend to him and the other officials of the Canadian National Railways our thanks for the very lucid manner in which this bill has been explained.

Mr. McIVOR: He knows his job.

The CHAIRMAN: I was going to remark this same thing. You are an excellent witness, Dr. Solandt and you have, I believe, satisfied every member of the committee. Thank you very much.

Shall I report the bill?

Agreed to.

#### EVIDENCE ON BILL 197

The CHAIRMAN: Now, gentlemen, the next bill we have is being distributed to you now and the bill is respecting the Hamilton Harbour Commissioners. We have witnesses here, Mr. R. C. L. Harstone, Mr. P. T. McCulloch and Mr. Cliff Morgan, the port manager in Hamilton. I am going to ask these gentlemen if they will come up here.

Now, gentlemen, we have bill No. 197, An Act respecting the Hamilton Harbour Commissioners. On clause 1, I am going to ask Mr. Harstone what this bill represents.

Mr. R. C. L. Harstone, Member, Hamilton Harbours Board, called:

On clause 1—Short title:

The WITNESS: May I say that I had the opportunity of reading *Hansard*, and I really think the minister explained the bill perhaps a good deal better than I can. Our commission, sir, desires to extend its facilities. These facilities are necessary in view of the St. Lawrence Seaway development and we propose to build a new transit shed capable of taking care of all types of commodities

that may be brought in by boat at Wellington street. That transit shed is to cost \$1 million. At Ship street, it is proposed to extend or build a new dock at that point costing some \$3 million of which the Hamilton Harbour Commission have obligated themselves to pay 50 per cent. The same applies to what we call Strathearne street project on which the Hamilton Harbour Commissioners are providing 50 per cent of the cost of that project. All of these undertakings have been given study by our engineer and by our commission and we feel satisfied that they will be self-liquidating and that the revenues that the commission will receive from these projects will take care of the amortization costs amounting to 50 per cent of the total costs of these projects. Is there anything further you would like me to say?

The CHAIRMAN: Well, Mr. Harstone, I am going to ask the members if there are any questions they wish to ask.

Mr. CHEVRIER: I have a statement which I would like to make right away before anyone accuses me of being one way or the other. I have looked at this bill and what is more than looking at it, I have been in close contact with what is happening in that area since acting in my capacity as former president of the St. Lawrence seaway authority. I cannot support this bill strongly enough. I say that because I know the effect of the original Welland canal upon the whole economy of Hamilton and I know that the effect of the St. Lawrence seaway is going to be even greater.

What I intend to state now is that I do not believe that the facilities which are being built under this bill will be sufficient in my opinion to look after the increased traffic which I hope, and which all the economists, both Canadian and American, maintain, will be brought about by the St. Lawrence seaway development. So I for one, have not the slightest hesitation in supporting the expenditures that are being put forward in this bill. Now, there is another matter. The question of the financial aspect. I presume that the Harbours Commissioners of Hamilton have looked at this carefully and are prepared to apply to the government for the loan. There is another aspect too which was discussed in the house by my colleague, the former Minister of Transport, Mr. Marler, as to the policy of the government in connection with this particular project. He probably wants to comment upon that. That is another matter altogether with which perhaps the house is concerned more than this committee. If the minister had been here, I would have liked to make a suggestion to him in connection, not only with the city of Hamilton but Toronto, Port Arthur and Fort William and all the other ports along the St. Lawrence seaway from the gulf right up to the head of the lakes because I think there is going to be a tremendous change in the activities of all these areas.

Right now, there is being spent for investment purposes along these ports more than is being spent on the St. Lawrence seaway itself. But since he is not here, I will reserve this for another time, perhaps in the house but I did want the committee to know that I have not the slightest doubt in my mind that these facilities not only are required, but in my opinion, will not suffice because of the enhanced traffic that will flow from the St. Lawrence seaway development.

The CHAIRMAN: I am quite sure the minister will read your remarks in the minutes.

Mr. MARLER: Might I make these general comments. In the discussion in the house the other night, the discussion turned on two topics of the question. First of all the bill which deals with the subject of a loan of \$4 million to the Hamilton Harbour Commissioners and there is the second aspect of a contribution which the Department of Public Works is going to make to the building of these facilities. Now the second question is not before this committee. We are



dealing solely with the question of the loan. I do not propose to raise the question of policy at this stage, particularly what Mr. Chevrier has said. The minister is not here and I am not stating that this would be the appropriate place to consider it, but I wonder if I might ask Mr. Harstone if he could give us the benefit, and perhaps I should say in capsule form, of the economic studies which the commission has made with regard to these facilities.

I take it, Mr. Chairman, that Mr. Harstone could tell us the approximate gross revenues they expect will develop from these facilities, what the operating expenses are likely to be and what the net operating results likely to be during the early life of these facilities. If Mr. Harstone can give us this information, I think the committee will find it interesting.

The WITNESS: Mr. Chairman, may I say that we estimate that the revenue that the commission will receive from these projects—the warehouse at Wellington street, the extension of Ship street and Strathearne street comes to a figure of more than \$200,000. You understand that the amortization and interest charges in connection with these projects amount to some \$200,000, so that the additional revenue we will receive, will pay for all of the charges which the commission will incur in connection with these projects.

*By Mr. Marler:*

Q. Perhaps I did not put the question sufficiently clearly. What Mr. Harstone said to us is that the net revenue from the facilities will provide at least \$200,000 a year but my question was not whether it would provide at least that but how much will it provide?—A. The exact amount, sir?

Q. Well, in round figures.—A. Well, we have estimated approximately \$230,000.

Q. As being the additional?—A. The additional revenue that will be received from these three projects.

Q. And that would be net after operating before repaying principal interest to the federal government?—A. That is right, sir.

The CHAIRMAN: Any other questions, gentlemen?

*By Mr. Fisher:*

Q. I would like to ask a question, and it is just a general question. I would like to have some information which I may find informative to me later on in another harbour situation. In the facilities that you are developing, is there dockage for vertical loading. Have you got a situation where you are going to have both truck and rail access to the docks which you are building?—A. Yes. There will be rail access at Wellington street, rail access at Strathearne street and we are making a study, and if necessary, there will be a rail access at Ship street of the three projects. Well, I am quite satisfied, I know two of them will and I am satisfied that the third will have rail access.

Q. Did you have any representations from the trucking associations before you went ahead with this?—A. We have had meetings with the trucking people sir, and we have another development in mind that we feel will be primarily devoted to trucking. That is in the planning stages at the present time.

Q. These others are both ship, rail and truck.

The CHAIRMAN: Any other questions, gentlemen?

*By Mr. Fisher:*

Q. Who made your economic studies for you? Were they made in your own commission or did you hire outside experts?—A. No. We made them ourselves.

*By Mr. McIvor:*

Q. I asked a question in the house and suggested that forty years was a long time because Hamilton is a great city and has been making a lot of noise lately. Do you not think forty years is a long time?—A. May I say, we understand that the amortization period in connection with the St. Lawrence seaway is fifty years and we thought we should not be fifty years, but rather forty years.

*By Mr. Fisher:*

Q. Do you receive any financial support from the city of Hamilton?  
—A. No sir.

Clauses 1 to 4 inclusive agreed to.

On clause 5—Repayment of loans.

Mr. MARLER: I am wondering why clause 5 has been drafted so that in the first line it suggests there may not always be interest on the loans. Clause 5 reads:

The principal amount of and any interest on loans made to the corporation under this act shall be repayable by the corporation out of its tolls, rates, penalties and other sources of revenue, and shall rank as a first charge thereon subject to the repayment of debentures issued by the corporation prior to the coming into force of this act.

Surely it should read, "the principal amount of and *the* interest on loans". It rather suggests loans may be made without interest. I can hardly believe that is what is contemplated by the bill.

The CHAIRMAN: Mr. Marler, Mr. Harstone has advised me that as far as the commissioners are concerned they agree to the suggested change in the wording.

Mr. MARLER: May I move an amendment that it read: "the principal amount of and *the* interest on loans". I suggest that the word "any" be replaced by the word "the" in the first line.

The CHAIRMAN: You have heard the motion, seconded by Mr. Chevrier, that the word "the" be substituted for the word "any" in the first line of clause 5 of bill 197.

Mr. MCPHILLIPS: In my opinion the word "any" is quite a proper word and properly used in this sense because the words "the interest" would not cover all features of interest. You might have interest in arrears and you might have different groups of interest. The word "any" covers everything, interest in arrears or interest of several kinds. In my opinion the word is properly used.

Mr. CHEVRIER: The word "the" also covers any situation.

Mr. MARLER: That is the language which has been used in other bills in which the Department of Finance has made loans to other harbour commissioners.

Mr. SMITH (*Simcoe*): It is with a great deal of hesitation that I speak before gentlemen who have a good deal of legal learning. However, I am not satisfied in my mind that the word "any" is not the correct word in such a case. There might be another wording which could be used there, "all interest on loans made". It seems to me "any" or "all" from a legal draftman's point of view are better words than the word "the".

The CHAIRMAN: Gentlemen, we could have the minister here in a few minutes.

Mr. MARLER: I would be delighted to withdraw my motion if the minister would have a look at the wording.

The CHAIRMAN The minister is here.

Mr. MARLER: I would be quite happy if the minister would agree to take a look at it.

Mr. STANTON: What is the opinion of the witnesses?

Mr. CHEVRIER: I do not think the witnesses should be asked about this. It is a legal point. I think the suggestion made by Mr. Marler is the best one.

Hon. Mr. HEES: I would be very glad to do that.

*By Mr. Fisher:*

Q. What happens if the developments are not as they are optimistically figured? Suppose the commissioners are not able to obtain enough income to pay back the loan? What happens then?—A. May I say that our commission this year will have a net operating profit of between \$15 and \$20 thousand. That will increase from year to year, not as a result of these new projects but as the result of additional tonnages coming into Hamilton harbour and in the increase in capacities of various steam plants and other things. Therefore money would be available from our general fund to pay any deficiency, if it ever did occur, from the moneys we receive from rentals and tariffs on these other projects.

The CHAIRMAN: If we carry clause 5, the minister will have a look at it and advise you in the house when the bill comes up.

Clause 5 agreed to.

Title agreed to.

The CHAIRMAN: Shall I report the bill?

Agreed to.

Thank you, gentlemen. Mr. Hees wishes to speak to you for a moment.

Mr. HEES: I wish to thank you all very much for being here today and to apologize for being late. I have just come from a cabinet meeting and it was not possible for me to be here earlier. I am sure you will all understand.

The CHAIRMAN: I wish to thank Mr. Harstone and the other witnesses here for appearing before us. Mr. Harstone has been an excellent witness.

The WITNESS: Thank you, gentlemen.

## EVIDENCE ON BILL 72

The CHAIRMAN: Gentlemen, we will now take up bill 72, an Act to amend the Canadian Vessel Construction Assistance Act.

The witnesses are Mr. L. Audette, Chairman of the Canadian Maritime Commission; Mr. L. J. Leavey of the Legal Branch and Mr. D. R. Pook from the Department of National Revenue.

I now call Mr. Audette who wishes to make a statement.

Mr. CHEVRIER: I think we should have a general review of the meaning of this bill.

The CHAIRMAN: Mr. Audette will give us a review.

**Mr. L. Audette, Chairman, Canadian Maritime Commission, called:**

The WITNESS: Mr. Chairman and gentlemen, perhaps I might open up by attempting to summarize the act in its present form. In its present form the act really does, in substance, two things. First of all, for the owner who



is building a ship in Canada for use in Canadian waters it allows him a rate of depreciations of  $33\frac{1}{3}$  per cent in any one year instead of the usual rate of depreciation allowed under the Income Tax Act of 15 per cent on the reducing balance. The  $33\frac{1}{3}$  per cent interest is a straight line of depreciation on the cost of the vessel instead of being on the reducing balance as is the 15 per cent which is provided by the Income Tax Act.

The other benefit which this act confers upon a ship built in Canada—and this act and all the benefits therein apply only to ships built in Canada—is where a ship is sold and the proceeds of sale are used for replacement in Canada there will not be recapture of depreciation. Perhaps later I will go into the matter of recapture of depreciation, but I think this summarizes the present position of the act. Perhaps the easiest thing to do is simply to go through the amendments now as they come up in the bill.

*By Mr. Chevrier:*

Q. This is complicated and I do not know whether I understand it too clearly. Over and above what you said, what is the general position with reference to the person who wants to build a ship; what depreciation is he entitled to if he wants to build it in a Canadian yard, say Vickers at Montreal?—A. If he builds in Canada at the moment he is entitled to a depreciation of  $33\frac{1}{3}$  per cent.

Q. Under this he will be entitled to it?—A. He still will be entitled to that but we are enlarging the classes of vessels. I thought it would be easier to come to these as we go along.

Q. You are not enlarging the amount of depreciation; you are enlarging the class?—A. Only the number of vessels to which the benefit may attach.

Q. Does this apply to vessels built outside of Canada?—A. No.

Q. Does it apply to vessels under the Canadian flag now in the United Kingdom?—A. I think you mean, for example, owned in Canada but under the U.K. flag?

Q. Yes.—A. Under this new act it will apply to such vessels if built in Canada.

*By Mr. Smith (Simcoe):*

Q. Would it apply if they were replaced in Canada?—A. Not only that, if a ship is built in Canada and then put under U.K. registry under the special arrangements in existence, then the benefits would apply; whether it is a replacement or not.

*By Mr. Fisher:*

Q. I have a general question. What are your reasons for these extensions?—A. Because the building of a ship in Canada is more expensive than it is in European or Japanese shipyards. For instance, the cost in U.K. shipyards is 50 per cent lower; that is one half as much. Therefore the owner needs incentive in order to bring him into our yards; otherwise he will go abroad. That is the basic reason. Our costs are higher as well as our wage rates.

*By Mr. Chevrier:*

Q. Both in the cost of construction and operation?—A. Yes.

Q. Does this act apply to the Canadian National Steamships whose flag has been transferred?—A. No sir. Those ships were built some time ago and this envisages new construction or alteration in Canada.

*By Mr. Bryce:*

Q. What is the increase in tonnage you are asking now?—A. It applies to any ship regardless of its tonnage.

Q. Regardless of weight?—A. Yes.

Q. The rate is 33½ per cent?—A. Yes; if built in Canada.

*By Mr. McIlraith:*

Q. And for any type whether ocean-going or lake?—A. Laker, coaster, canalor or any other type.

*By Mr. Chevrier:*

Q. How long has this act been in force?—A. The act, as it now stands, came into force in 1950 if I am not mistaken.

Q. How many ships have applied under and benefited by the act? How many owners or operators have made application to claim depreciation under the Canadian Vessel Construction Assistance Act?—A. My recollection is that the amount is about \$100 million. Are you speaking of new construction?

Q. Yes?—A. About 337 ships in all have been built under this act. The total, in my recollection, is slightly over \$100 million as the act now stands.

*By Mr. Crouse:*

Q. Since what date?—A. That covers the years 1950 to 1956 inclusive.

*By Mr. Fisher:*

Q. This would also seem to be of advantage to the workers in the shipyards and the unions who are organized in the shipyards. Have you received any representations from them to expand the act?—A. I received no representations from them but this is, of course, also designed to maintain employment in Canadian shipyards.

Q. Was any consideration given to the question of taking care of some of the differentials in wages which penalize our shipyards in comparison with other shipyards in a lower wage area?—A. There is no regional allowance made in this act.

Q. Has it ever been considered?—A. I cannot say it has, but I think it would be extremely difficult to implement.

*By Mr. Chevrier:*

Q. Were recommendations not received from the various groups of which Mr. Fisher speaks when the act was originally introduced?—A. Well, the labour unions have constantly made representations in order to preserve the ship-building industry. Yes, there is no doubt about that; but specifically along these lines is the way I had interpreted the question.

Mr. FISHER: Yes.

*By Mr. Leboe:*

Q. Is it not true that the ships have to bring in revenue before the depreciation does them any good? There is no advantage in depreciation as far as the company is concerned unless they make money?—A. Yes.

Mr. SMITH (*Simcoe*): I would like to assure Mr. Fisher that the shipyards at Collingwood are very interested in the passage of this act because they are presently building ships which may very well be used outside Canada and they are most anxious to have these amendments passed.

Mr. HEES: I would like to say, for the benefit of the new members of the committee and of the house who would not otherwise know, that this act was introduced when Mr. Chevrier was the minister, and I think we will all agree it is a magnificent act and has done a tremendous job for the shipbuilding industry in Canada.

*By Mr. McPhillips:*

Q. With respect to their conversion costs, I do not see anything in the act to indicate that the conversion has to be done in a Canadian yard.

Mr. CHEVRIER: Then they do not qualify in that case for depreciation.

The WITNESS: It does, sir, in section 2 of the act, subsection (c):

"conversion or major alteration" means a conversion or major alteration made in Canada. . . .

*By Mr. McPhillips:*

Q. Where did you find that?—A. Subsection (c) of section 2 of the act.

Q. Of the prior act?—A. Yes. It is not in the bill.

The CHAIRMAN: These are amendments.

*By Mr. Marler:*

Q. On clause 1, I see no objection at all to the change that is underlined in subsection (a) of section 3, but subsection (c) introduces a new idea. The new idea is covered by the explanatory notes in the bill, and it is intended to extend the benefits of the act to vessels built by a shipyard for sale to any purchaser. Then there is the proviso, "provided that no capital cost allowance had previously been made to anyone in respect thereof."—A. No sir; to any other taxpayer, not to anyone.

Q. I am reading from the explanation in the bill. The point that is in my mind is this: if a shipyard builds a ship for sale and sells it to a purchaser whom we will call A, A operates the vessel for a year and is able, because he is operating it profitably, to take 33½ per cent depreciation; but he dies, or desires to discontinue operations and therefore wishes to sell the vessel to, let us say, B. As I understand the restriction, B would not be entitled to the same benefits to which A would be entitled. Consequently I take it, Mr. Chairman, that the value of the ship in A's hands will be greater than it will be in B's hands. Therefore by putting in this restriction you give A a benefit but you take it back in the sense that you refuse to allow him to pass it along to a successor in title.—A. That is right.

Q. I am not arguing in favour of more than 100 per cent of the cost being depreciated. But I think it seems short sighted to put in this paragraph (c) which seems to limit advantages only to the first purchaser. I am not suggesting an amendment, because the wording is much too complicated to be able to do that just off the cuff. However, I should like to suggest to the minister that he should reconsider the principle which is involved in this sub-paragraph (c) and see whether it is desirable to restrict these benefits in the way which is being followed in that paragraph.—A. Perhaps I can explain the background of this. Under the act as it now stands, for a ship to receive the benefits of the act it must be built by or for—and I am quoting the language used—the taxpayer. It must be by or for the man who is going to own the ship. He must order it.

We sought to eliminate this requirement in order to allow shipyards to indulge in what I might call speculative building. That is, during a low period of employment they might build a barge or a vessel of any kind, knowing, or at least speculating that they may sell it at a later date, and thereby keep their yard employed.

To do this we eliminate the words "by or for". Also under the old act, or under the act as it now stands, the benefits were only available so long as the title vests and remains in him.

Those words were struck out in order to allow this speculative building. There then arises the danger that I might order a ship, and I might own



this ship for three years, and take 33½ per cent in each one of three years. Then I would sell it to Mr. Marler, let us say, who has raised the point, and he then could own it for three years, and take 100 per cent depreciation. And over 21 years there would be taken 700 per cent of depreciation.

These words were put in to guard against that. And also these words were put in to ensure that only the man who places his order in Canada, and who incurred himself the additional cost of building in Canadian yards would reap the benefit of the higher rate of depreciation.

Once he sells the ship he will lose this benefit, as Mr. Marler suggests. But the ship will then have its ordinary market value, as any other ship and the purchaser will not have incurred any additional cost in Canada. It is true that the man who sells the ship may find he cannot get quite as high a price as he could if he were selling it with the benefits attached to it. But the man who purchases it did not incur the additional cost.

The CHAIRMAN: Are there any other questions?

Mr. MARLER: I hope the minister will look into this matter, because I think there is a great deal to be said for the change that is now being made. But I think more could be said for something which assured the owner of the ship, regardless of who he may be, receiving the full benefits under the act, and in making that dependent on the same taxpayer holding it until the full benefits have been secured.

The CHAIRMAN: I think the witness has something to add.

The WITNESS: The other disadvantage, I might say that I can see in the suggestion is that we will raise the price of second-hand tonnage instead of raising the incentive for new building. In that sense, I would prefer it to stand almost as it is, because there should not—and I say this as one who is trying to support shipyards—there should be less and less incentive to purchase second-hand tonnage, and more and more incentive for the construction of new tonnage.

Mr. MARLER: I consider that a good argument.

Mr. HEES: Are you satisfied, then?

Mr. MARLER: I am still ready to be convinced.

*By Mr. Smith (Simcoe North):*

Q. Is there not a provision later in the amendment that encourages the man who sells the ship, while he still has some of his depreciation not taken, to put that money back into another ship, either personally or through another company, which has the effect of encouraging capital invested in ships to stay in the ships?—A. There is now, yes.

*By Mr. Fisher:*

Q. Where you have a situation where a company both controls shipyards and also has shipping, what would be the situation at the end of three years? You might say their own organization has built the ship and they have had 100 per cent depreciation, and then they sell. What advantage is there to them in that situation?—A. There is no advantage for them to sell at that point, from the point of view of depreciation, because the person who purchases will not be allowed these higher rates.

*By Mr. Chevrier:*

Q. Does not the government step in to recapture the amount taken? —A. Furthermore, the government will recapture the excess over the depreciated value, unless that goes back into new building.

*By Mr. Crouse:*

Q. If that ship was sold outside of Canada, would they not be able to depreciate it—you are assuming it would only be sold in Canada?—A. No, because if the ship is sold outside of Canada, the purchaser will not be a Canadian taxpayer so he will get no benefit under the act. But the seller—

Q. The seller will.—A. The seller will get subsequent benefits of freedom from recapture, no matter where it is sold—in or out of Canada.

The CHAIRMAN: Mr. Hees would like to speak.

Mr. HEES: I should like to ask Mr. Marler, in connection with his suggestion to change, did he mean that if a ship is held by a purchaser for perhaps one year, and he is able to take  $33\frac{1}{3}$  per cent depreciation, if he then sold it the subsequent purchaser should be allowed to depreciate the ship for himself a further  $66\frac{2}{3}$  per cent?

Mr. MARLER: Yes, that is correct.

Mr. HEES: In other words, so long as the ship has not been completely depreciated by the original buyer, whatever is left undepreciated could be depreciated by the subsequent buyer. Is that correct?

Mr. MARLER: Yes.

The WITNESS: I hate to see the second-hand market enhanced in value.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I should like to call the attention of the committee to the title of the bill, which is to encourage the construction and conversion of vessels in Canada. I am afraid that Mr. Marler's suggestion is made having in mind the tax saving for people who have ships already built. What we are doing is encouraging the construction of ships in Canada. I do not think his suggestion goes to that point at all.

The CHAIRMAN: Are there any other questions on this clause? Mr. Audette wishes to give some explanation with respect to paragraph (a).

The WITNESS: Perhaps I might say a word about paragraph (a) because the questions took me straight down to (b) and (c). Under the present law, any ship built in Canada that is receiving the  $33\frac{1}{3}$  per cent allowance must remain on Canadian registry. We are all aware of the fact that operation under Canadian registry is a great deal more expensive than it is, let us say, under United Kingdom registry. Indeed, it is one and one-half times the cost. Both the ship building and ship operating figures average out at about the same.

*By Mr. Chevrier:*

Q. But it is less than under United States registry?—A. Yes, less than under United States registry. Indeed, for a 10,000 ton ship it is \$100,000 per annum more under Canadian registry than under United Kingdom registry.

With this in mind, we now have, as you are aware, certain special transfer arrangements with the United Kingdom where the vessels can be recalled, and where we retain a measure of control over them.

The purpose of paragraph (a) is to allow the continuation of  $33\frac{1}{3}$  per cent, even if the vessel goes to United Kingdom registry under these arrangements.

This is designed to encourage the owners who simply cannot and will not operate otherwise, to build ships in Canada. Without this they will be building abroad.

Q. How many ships have we now under United Kingdom registry?—A. We have 60—it is up close to 60.

The CHAIRMAN: Are there any other questions under this clause?



*By Mr. Fisher:*

Q. I should like to ask a general question. I am interested in the source of this amendment. Mr. Hees has credited Mr. Chevrier with introducing this legislation. Now amendments have come up, and they are fine. Who was at the centre in making arrangements for and initiating these amendments?—A. The gentleman on my right, Mr. Leavey, and myself, and the ship building industry, and the ship owning industry, and Mr. Hees—all the people connected with this over a period of time.

Clause 2 agreed to.

On clause 3—Application.

*By Mr. Marler:*

Q. Would Mr. Audette explain why we put in clause 3?—A. Yes; clause 3 was introduced for this reason; it is not always certain that a bill will get through in a given session of parliament.

Q. We have discovered that already.

*By Mr. Chevrier:*

Q. May I follow up that question by asking this one: how many ships are going to benefit by this clause?—A. May I say one more thing. Certain owners, on the basis of the introduction of a very similar bill in the last session of parliament, did make commitments and if this bill had not passed at this session of parliament it could well have been that the legislation would not have been applicable until the 1958 taxation year. The owners who had made commitments in our Canadian yards would have found themselves in a difficult position.

Q. How many of them have made commitments in Canadian yards, and will benefit by this section in 1957?—A. By clause 3, do you mean?

Q. Yes.—A. It should be close to half a dozen.

Q. They get in by the skin of their teeth.—A. That is right.

The CHAIRMAN: I believe Mr. Hees wishes to speak with respect to clause 3.

Mr. HEES: I just wish to say again, to the new members of the house, that Mr. Marler had a great deal to do with the generation of this amendment, and deserves a great deal of credit for what I believe are very excellent amendments. I hope you will feel the same.

Clause 3 agreed to.

The CHAIRMAN: Shall I report the bill.

Agreed.

The CHAIRMAN: Now, gentlemen, I do wish to thank Mr. Audette and Mr. Leavey for having come here. Mr. Audette has been an excellent witness, and I feel sure that the reporters could hear everything he said. His observations were distinct and clear.

Mr. CHEVRIER: I think he was well prepared, Mr. Chairman.

The CHAIRMAN: Well, I think he did very well in his handling of the bill.

The Committee proceed to consideration of a private bill, namely (Letter O-5 of the Senate), "An Act respecting the St. Mary River Bridge Company".







